

**KENNEBEC WATER DISTRICT
REGULAR BOARD OF TRUSTEES MEETING
THURSDAY – JANUARY 18, 2018 at 7:30 AM**

The meeting was called to order at 7:30 a.m. by President Hodsdon.

Trustees present: Al Hodsdon, President; Karl Dornish, Vice-President; J. Michael Talbot, Treasurer; Allan Fuller, Clerk; Jeff Earickson, Assistant Treasurer; Bill Boucher, Trustee; Mark McCluskey, Trustee; Frank Richards, Trustee; Denise Bruesewitz, Trustee; Alex Wild, Trustee

Trustees absent: None

Allan Fuller, Clerk, joined the meeting at 7:35 a.m.
Denise Bruesewitz, Trustee, joined the meeting at 7:38 a.m.
J. Michael Talbot, Treasurer, left the meeting at 8:20 a.m.
Mark McCluskey, Trustee, left the meeting at 8:30 a.m.
Jeff Earickson, Assistant Treasurer, left the meeting at 8:47 a.m.
Alex Wild, Trustee, left the meeting at 8:50 a.m.

Also present: Jeff LaCasse, General Manager; Jefferson Longfellow, KWD Engineer; Sue Markatine, Recording Secretary

ITEM 1: INTRODUCTION OF GUESTS

None

ITEM 2: REVIEW AND APPROVE THE MINUTES OF THE ANNUAL BOARD OF TRUSTEES' MEETING OF JANUARY 4, 2018.

Motion by Trustee Talbot, "to accept the minutes of the Annual Board of Trustees' Meeting of January 4, 2018," seconded by Trustee Earickson.

Vote: Motion carried unanimously.

ITEM 3: FINANCIALS

A. ACCOUNT WARRANT

January 18, 2018

CHECKS RELEASED		Check	Dollar
Vendor	Description	Date	Amount
A Partner In Technology	Professional Computer Services-Variou Locations	01/05/18	880.00
Affiliated Healthcare Management	Annual Fee for Random Employee Alcohol/Drug Testing	01/05/18	175.00
Agway Inc.	Bug Fogger Insect Control	01/05/18	23.98
American Water Works Assoc.	Annual Subscription for AWWA Standards	01/05/18	767.00
Bomark Instrument Inc.	Oxygen Sensors for Gas Monitors-WTP	01/05/18	376.50
E S Boulos Company	Troubleshoot Dehumidifier & Air Blower	01/05/18	913.00
Central Maine Power	Monthly Electricity-Variou Locations	01/05/18	4,519.12
Central Maine Power	3-Phase New Service-WAPS Capital Project	01/05/18	33,326.28
Constellation NewEnergy Inc.	Monthly Electricity-WTP	01/05/18	4,181.46
Eurofins Eaton Analytical Inc.	Endothall & Diquat Monthly Sampling	01/05/18	300.00
GWI	Monthly Internet Service	01/05/18	284.60
Hammond Lumber Company	Snow Shovels/Aquaphalt Patch Material	01/05/18	412.78
A. H. Harris & Sons Inc.	Sand Bags for Main Crossing Messalonskee River	01/05/18	252.00
Hilltop Cleaning Service	Monthly Cleaning Services-Cool Street and South Street	01/05/18	564.00
J & S Oil Company Inc.	Diesel Fuel for Generator	01/05/18	699.22
Kennebec Auto Service	State Inspection-Tk 20	01/05/18	12.50
Kennebec Equipment-FF	Pump Switch	01/05/18	4.50
Kennebec Water District	Monthly Petty Cash	01/05/18	275.39
M C Disposal Inc./DBA CMD	Junk Disposal	01/05/18	75.00
Gerald MacKenzie Inc.	Pavement Patches-Variou Locations	01/05/18	1,002.30
Maine Municipal Association	Annual Membership Fee/Property & Casualty Insurance	01/05/18	24,381.50
Maine Municipal Emp. Health Trst.	Monthly Health Insurance Premiums	01/05/18	29,004.16
Maine Water Works Supply	Repair Clamps/Plugs/Gaskets/Couplings/Nuts	01/05/18	3,289.75
Treasurer, State of Maine	Water Tests	01/05/18	1,816.00
Moncure & Barnicle Attorneys	Union Contract Negotiations	01/05/18	743.40
Motor Supply Company	Battery/Electrical Connectors/Ethanol Treatment	01/05/18	233.70
Northeast Laboratory	Water Tests	01/05/18	200.00
Northern Safety Company Inc.	First Aid Kit Supplies	01/05/18	24.76
E. J. Prescott Inc.	Korner Horns	01/05/18	635.48
Quill Corporation	Copy Paper/Binders/Folders/Office Supplies	01/05/18	1,678.71
Sleepers	Employee Clothing	01/05/18	19.99
Snow Pond Technology Group Inc.	New Internet Service for PLC-WAPS	01/05/18	163.15
Spiller's	Batteries/Construction Grade Marking Paint	01/05/18	164.16
Spring Brook Ice & Fuel	Clean & Service Boiler-WTP	01/05/18	657.91
Staples Credit Plan	Water Service App Paper/Bus. Stock/Binders/Towels	01/05/18	214.89
Super Shoe Stores Inc.	Employees Clothing & Boots	01/05/18	197.98
Dan Swett Electric	Install Pipe & Wire Door Sensors-Intake Building	01/05/18	492.75
D L Thurrott Inc.	Air Compressor/Tubing-WTP	01/05/18	940.00
Transcor Information Technologies	Router/Modem/Antenna/Power Supply/Set-Up-Intake Bldg.	01/05/18	651.20
Tyler Business Forms	1099/W-2 Forms and Envelopes	01/05/18	202.70
United States Cellular	Monthly Cell Phone Service	01/05/18	97.26
United States Cellular	Monthly Data Service	01/05/18	99.56
Verizon Wireless	2-Tablets & Screen Protectors/Monthly Data Service	01/05/18	589.53
E. H. Wachs	Vacuum Unit Filters	01/05/18	261.11
Walmart Community/GEMB	Frames/Beverages/Paper Goods/Christmas Lunch Food	01/05/18	137.57

Ware-Butler Inc.	Trash Can	01/05/18	49.39
F. W. Webb Company	Spotlight/Couplings	01/05/18	466.31
Postmaster	Bulk Mail Postage for Billing	01/08/18	691.28
Treasurer, State of Maine	Monthly Sales Tax	01/08/18	207.76
MainePERS	Monthly Employer Contribution	01/08/18	7,902.24
MainePERS	Monthly Group Life Premiums	01/08/18	693.46
A Partner In Technology	Professional Computer Services/Monthly Monitoring	01/11/18	823.75
Advance 1 Cleaning Services Inc.	Carpet Cleaning at Business Office	01/11/18	450.80
American Messaging	Paging Service- 12/18/17 to 2/28/18	01/11/18	185.95
Answering Services Unlimited	Monthly Answering Service	01/11/18	215.83
Dennis K. Burke Inc.	Heating Oil-WTP	01/11/18	2,027.30
Carrot-Top Industries Inc.	United States & Maine Flags-WTP	01/11/18	120.99
Central Maine Power	Monthly Electricity-Chase Ave	01/11/18	446.16
Eagle Rental	Light Tower Rental-Main Break Repair	01/11/18	150.00
Earthlink Business 1058	Monthly Telephone Service	01/11/18	380.70
Fabian Oil Inc.	Propane-WTP	01/11/18	158.09
Fastenal Company	Lens Cleaning Towels/Marking Paint	01/11/18	168.70
FP Mailing Solutions	Annual Postage Meter Rental	01/11/18	468.00
Wex Bank	Monthly Vehicle Fuel Usage-2 Months	01/11/18	4,862.14
Hussey Communications Inc.	Monthly Internet Service	01/11/18	250.00
Kennebec Auto Service	Repairs-Tk 9	01/11/18	514.99
M C Disposal Inc./DBA CMD	Monthly Rubbish Removal	01/11/18	88.00
Maine Municipal Association	Workers Compensation Premium	01/11/18	8,308.40
Maine Water Works Supply	Couplings	01/11/18	699.62
Workplace Health	Annual Employee Audio/Hearing Tests-5 Employees	01/11/18	215.00
MaineToday Media Inc.	Public Notices for 2018 Rate Increase Case	01/11/18	971.36
Northeast Laboratory	Water Tests	01/11/18	80.00
Northern Safety Company Inc.	Tape Measures/Thermo Gloves	01/11/18	126.45
Pro. One Alarm Monitoring Inc.	New Sensors & Labor to Install & Test Alarm System	01/11/18	2,545.00
Quill Corporation	Trash Bags-VariouS Sizes	01/11/18	59.97
Snow Pond Technology Group Inc.	New Fiber Optic for Internet Service for PLC-WAPS	01/11/18	1,300.00
Spiller's	Battery Pack & Installation Labor for GPS Receiver	01/11/18	331.02
Spring Brook Ice & Fuel	Fuel Oil & Propane-VariouS Locations	01/11/18	1,850.19
Staples Credit Plan	Printer Ink	01/11/18	116.65
Super Shoe Stores Inc.	Employee Clothing	01/11/18	8.54
Walmart Community/GEMB	White Vinegar/Distilled H2O/Beverages/Cleaning Supplies	01/11/18	125.43
F. W. Webb Company	Couplings	01/11/18	712.74
Winslow Supply Inc.	Couplings/Pipe-WTP	01/11/18	23.64
TOTAL WARRANT			\$154,737.70

Motion by Trustee Talbot, "to ratify the total warrant of checks released for \$154,737.70," seconded by Trustee Earickson.

There were no questions regarding today's account warrant.

Vote: Motion carried unanimously.

B. October Financials

As part of their packet, the Board members were provided with a copy of the October financial statements, and a brief review was conducted. With the realization of two full quarters of the April 1, 2017 rate increase, the 2017 year-to-date total operating revenues are reflecting an increase of \$123,341 above 2016.

The 2017 year-to-date operations and maintenance expenses are reflecting an increase of only \$20,084 above 2016. The 2017 year-to-date contractual services-others category, which encompasses paving, excavation, and other expense-related projects by outside contractors, is presently below 2016 by \$73,133. Mr. LaCasse cautioned that this category will increase to some extent prior to year-end as there have been numerous emergency repairs and projects in the months of November and December. The 2017 year-to-date employee pensions and benefits category is above 2016 by \$44,654. Mr. LaCasse explained that, in addition to the overall increase in the cost of the health insurance premiums, this is chiefly due to a couple of employees moving onto the family coverage category of the medical plan. The 2017 year-to-date miscellaneous expense category is above 2016 by \$39,072. This is primarily due to the KWD contributions to the China Lake Association for both the 2016 and 2017 LakeSmart Program years.

Overall, the 2017 year-to-date net income is below 2016 by \$133,558. Much of this is due to the fact that the M-4 hydro-generator has not been operating and has required numerous costly repairs. The M-4 net income is reflecting a decrease of \$211,281 as compared to 2016. Mr. LaCasse mentioned that in November, as in October, although M-4 is not generating, KWD received revenues from ISO New England of approximately \$3,500 for M-4 due to the forward capacity market credit. As was mentioned at the January 4th meeting, in 2018 ISO New England will begin calculating the forward capacity credit on actuals, and it is expected that there will be no revenue from market credits for hydro stations when they are inoperable.

In regards to the October cash flow report, Trustee Earickson asked if the expenditures were unusually high due to KWD paying for the Western Avenue Pumping Station (WAPS) capital project (which KWD will be reimbursed when the bond is issued). Mr. LaCasse answered that is partly correct. However, the main reason is due to the annual 2009 bond principal and interest being paid in October as indicated by the zero balance now reflected for these reserved accounts.

Trustee Hodsdon asked the date the first bond payment for the WAPS capital project will be due. Mr. LaCasse responded that the payments totaling approximately \$157,000 annually will begin in April 2018 and will be paid on a semi-annual basis.

C. Other

Mr. LaCasse mentioned that, for informational purposes, the Trustees were provided via e-mail with a copy of a summary entitled "Tax Alert: How the New Laws will Affect You Now and in the Future" composed by Verrill Dana LLP, Attorneys at Law.

ITEM 4: MOTION ISSUES

A. Review of 2018 Rate Case Public Hearing and Motion to Submit Final Documents to Maine Public Utilities Commission

Mr. LaCasse updated the Board on the status of the pending rate case. The public hearing was held at the KWD Water Treatment Plant on Tuesday, January 16th. At today's meeting, the Trustees were provided with minutes of the proceedings. In addition to Mr. LaCasse, Mr. Longfellow, six Trustees, and Mr. Harwood, KWD's legal counsel from Verrill Dana, two members of the public were in attendance, Michelle Flewelling, the Town Manager of Fairfield, and Roger Crouse, KWD customer and incoming General Manager. Ms. Flewelling stated the concern that the April 1st effective date means that the Town of Fairfield would be billed an additional \$1,644 for the fire protection service above the amount it had included in the town's current budget which ends on June 30th. Ms. Flewelling was informed, as in the past, the Board could authorize the General Manager to allow all its municipalities, by request, a payment plan which would defer the amount of the quarterly increase from the April 1st bill until the July 1st billing cycle, so they could incorporate the additional monies into their new budgets.

Trustee Richards was curious as to the reason that this potential increase, as was the 2017 increase, is slated for April 1st instead of July 1st to ease the burden and correspond with the municipalities' budgets. Mr. LaCasse explained that in many past rate increases, the effective date was January 1st in order to maximize the revenue generated in the year of the increase. However, in order to lessen the burden on the municipalities, the more recent increases have been proposed with an April 1st effective date. The April date, taking into consideration KWD's cyclic billing on metered accounts, effectively generates only approximately 67 percent of what it would generate throughout a calendar year. Delaying the effective date until July 1st would significantly diminish the revenues generated in the year of the increase and fail to significantly address the revenue shortfall the increase was intended to address.

Trustee Dornish suggested maintaining the April 1st date for this potential rate increase, but in the future and in consideration of long-range financial planning, a July 1st increase date could be contemplated. Trustee McCluskey commented that if the amount of the potential rate increase percentage was raised above the 5 percent, a later effective date could be implemented with a similar amount of revenue. This could be considered, but the overall Board directive during the past few years has been a capped increase amount of 5 percent. Although the April 1st date does not allow KWD to realize a full year of increased revenue as its fiscal year begins on January 1st, the Trustees had thought it was a suitable compromise when considering the municipalities' budgets whose fiscal year begins July 1st.

Trustee Bruesewitz asked for a further explanation regarding the rule of non-allowance of decoupling the effective rate increase date for the regular quarterly water service bills versus the fire protection service bills. Mr. LaCasse explained that the Maine Public Utilities Commission (MPUC) requires utilities to uniformly increase the rates for the customer base and not provide one customer (or customers) with special treatment over another. KWD could petition for two separate rate increases with two effective dates of implementation; however, this could very well be denied by the MPUC and frowned upon by rate payers receiving an increase on the earlier date.

Motion by Trustee Talbot, “to authorize the General Manager to formally file with the Maine Public Utilities Commission an across-the-board 5.0 percent rate increase with an effective date of April 1, 2018,” seconded by Trustee Fuller.

The Trustees discussed the motion. Trustee Wild asked the drawback to KWD considering the April 1st effective date and the fact that KWD will only receive approximately 67 percent of the increase of the projected annual revenue. Mr. LaCasse answered that, although KWD will realize the full annual amount of the increase in 2019, the April effective date will delay the ability of KWD to get to a positive net income at year end. Trustee Hodsdon pointed out that the WAPS project bond payments begin in April 2018 and the rate increase will aid in offsetting the increase in debt service.

Vote: Motion carried unanimously.

Trustee Richards stated that KWD had a 5 percent increase in 2017 and is proposing a 5 percent increase in 2018 and was curious regarding the history of other past increases and their effective dates. Mr. LaCasse began by stating that in the early 1990’s KWD was required to finance the required Safe Drinking Water act improvements, which included building two covered water storage facilities and building the WTP. Consequently, hefty water rate increases were deemed necessary in 1991 and 1992. Partly because of these rate increases, around the mid 1990’s the Huhtamaki Manufacturing Plant reconfigured its manufacturing process to use river water which was a major loss of revenue for KWD. This was followed by small increases in 1996, 1999, and 2001. Then, in January 2007 there was a hefty increase of 19.65 percent. From that period on, the Trustees had expressed opinions that going forward they would be more in favor of smaller more frequent increases rather than exposing rate payers to such an extreme increase. This increase was followed by 5 percent increases effective April 1, 2013, April 1, 2017, and April 1, 2018.

Trustee McCluskey asked to be reminded of the rates of KWD as compared with other water utilities. Mr. LaCasse explained that the locations with the highest rates are the utilities which are required to operate and maintain major water treatment facilities. Utilities with the lower rates typically are either those which are exempt from the requirement for filtration or those which have wells for the source of supply. As of the last analysis, KWD was in the higher end for water rates for Maine utilities with over 2,000 customers. Mr. LaCasse mentioned that, regardless of this fact, the minimum KWD quarterly bill with the new rate increase will only be \$67.67 for a residence with a standard 5/8 inch meter and the per day cost increase will be only 4-5 cents for typical residential customers.

Trustee Earickson asked, for long-term planning purposes, if Mr. LaCasse foresees additional upcoming rate increases. As had been discussed at previous meetings, KWD is projecting a deficit in 2018 and potentially 2019 and 2020. However, there should be enough funds in the available invested checking to balance these shortfalls without depleting the invested balance below the advisable minimum. In the year 2020, a substantial amount of the present bonds will be extinguished, and in 2021 the total debt service will decrease significantly. At that time more revenue will be available to be utilized at the Board’s discretion. That revenue may be used for additional capital improvements, whether directly or through the bond process, to reduce customer rates to some degree, or to implement a combination of both those options. Trustee Hodsdon offered that a capital reserve account could be set up per MPUC regulations and that fund would be used exclusively for capital projects. Trustee McCluskey inquired if KWD uses the revenue allocated from the depreciation expense component of its rates on an annual basis. Mr. LaCasse responded that fund is approximately \$900,000 annually and KWD does utilize these funds to pay for main replacement projects, vehicles,

construction vehicles, and other depreciable miscellaneous equipment and projects. If necessary, some funds from the invested checking accounts may also be combined with the depreciation funds in order to meet the annual capital projects and KWD goals.

B. Other

Because a few Trustees said they would be leaving the meeting early, the Board decided to enter Executive Session at this time rather than at the end of the meeting.

At 8:00 a.m., motion by Trustee McCluskey, “to enter Executive Session under MRSA Title 1, Section 405-6D to discuss collective bargaining issues between KWD and Teamsters Local No. 340 and under MRSA Title 1, Section 405-6A to discuss personnel issues,” seconded by Trustee Richards.

Vote: Motion carried unanimously.

At 8:47 a.m. President Hodsdon brought the Board out of Executive Session.

ITEM 5: TRUSTEES

A. Comments, Concerns, Ideas

Trustee Boucher thanked and commended Mr. Longfellow and KWD crew for responding to a Trustee request to investigate a home in Winslow which appeared to have issues as there was a build-up of ice surrounding the home. In this particular situation, the owner was deceased and the home was empty and had not been checked on recently. The pipes inside the house had frozen and then thawed and burst causing flooding. KWD turned the water off at the street to lessen further flooding and damage. The next of kin is aware of and addressing the situation.

Trustee Boucher asked if there was a KWD project in Winslow to connect water to Norton Field. Mr. Longfellow answered that he is aware of storm drain work being conducted in this area, but to date no one has contacted him regarding adding water service.

B. Maine Water Utilities Association February Conference and Trade Show

Mr. LaCasse informed the Trustees that the 2018 Maine Water Utilities Association conference will be held on February 6th and 7th at the Holiday Inn by the Bay in Portland. The brochure for this trade show was circulated among the Trustees and can also be accessed on the MWUA website. If interested, Trustees can either register for any sessions themselves or submit an application to Mr. LaCasse for forwarding. Mr. LaCasse commented that this show has several informative sessions and is an opportunity to view water works equipment and services and meet vendors. He mentioned that Ben LaPlante, KWD’s Distribution Superintendent, is one of the presenters for Session 19 “Vacuum Excavation: Tricks of the Trade” on February 7th at 8:00 a.m.

Mr. LaCasse also reviewed the fact that in addition to the regular meeting stipend, meeting mileage reimbursement, and any registration/conference fees, Trustees may receive reimbursement for travel and expenses for District related business up to a maximum of \$500 per year.

C. Other

Each week when the Maine Legislature is in session, the Maine Municipal Association publishes a Legislative Bulletin. As in years past, Mr. LaCasse will forward this information to the Trustees to help keep the Board abreast of any bills which could have an impact on water utilities.

ITEM 6: ENGINEER'S REPORT

A. Engineer's Report

China Lake Elevation: 170.2
Stream Flow: 17 cfs

The M-4/Western Avenue Pumping Station project is slowly being completed. Central Maine Power (CMP) was able to do the first phase of the pole work for the hydro-station. The electrical connections will be completed by a different entity. I had expected this to have been done, but it has not as of the date of this report. CMP will have to return again to close the switches to connect the service to the station. To avoid multiple trips, Wright-Pierce's electrical engineer will not be on site until the hydro station work is finished. When all of that work is completed, phase rotation can be verified before going on line. Progress is being made but not as quickly as we want.

Time, when it is available, is being spent updating the geographic information system (GIS) and finding the areas that KWD does not have data for and filling and completing these fields. We are also working on the eventual change from Google Drive to Microsoft Office 365 for all of the shared forms and documents which have been created during the past few years.

Jefferson Longfellow, P. E.

In addition to the above, Mr. Longfellow added that Josh Couture, KWD's Assistant Engineer, is setting up the new tablets for the KWD crew, as the previous tablets are now outdated.

Pictures of the existing and some new electrical poles set by Central Maine Power (CMP) due to the WAPS capital project were circulated amongst the Trustees. Trustee Fuller noted that some wires were not connected. Mr. Longfellow explained that CMP will not connect these wires to power the hydro-station. On Target Utility Services will be the contractor to conduct this project. Trustee Fuller asked for a summary of steps necessary for M-4 to become operational and generating again. Mr. Longfellow answered that the pole wires need to be connected by On Target and phase rotation has to be verified by other entities. Trustee Fuller expressed dismay that this project is not moving faster. Mr. Longfellow offered that CMP just completed its portion of the work last week which was the first phase that had to be accomplished. Unfortunately, while waiting for CMP to conduct this work, On Target moved on to other projects. Mr. Longfellow will attempt to get On Target on site as soon as possible. A few Trustees suggested Mr. Longfellow contact T. Buck Construction, which is the chief contractor for the job, to express the Board's request for urgency to expedite this project as KWD has been and will continue to lose revenue as water flow has been and becomes available.

Motion by Trustee Richards, "to accept the Engineer's Report as presented," seconded by Trustee Dornish.

Vote: Motion carried unanimously.

ITEM 7: GENERAL MANAGER'S REPORT**A. 2018 Capital Budget Early Commitments**

Mr. LaCasse informed the Board that he just received the capital budget requests from the KWD management team, and he is in the process of compiling the 2018 capital plan from the preliminary project and equipment requests.

At today's meeting, the Trustees were advised of two capital expenditures, a new vehicle purchase for the incoming General Manager and a main replacement in Winslow. In regards to the new vehicle purchase, this is necessary due to the fact that the present General Manager's vehicle is numerous years old. The present General Manager's vehicle will be used for its trade-in value towards the purchase of the new vehicle. It was also noted that this vehicle purchase is included in the 2018 capital budget. Mr. LaCasse has already obtained a few price quotes for a SUV vehicle for under \$30,000. In regards to the Winslow main replacement, the Trustees were informed that the town is planning to rehab Hallowell Street this year, and KWD plans to replace the main in this street, at a cost of approximately \$400,000, before the town conducts this work and lays new pavement. Trustee Hodsdon suggested that the vehicle purchase wait until the arrival of the new General Manager, so that he could spec a vehicle to suit his needs.

B. Projects in Process, Updates

Due to time constraints, there were no project updates presented at today's meeting.

Motion by Trustee Richards, "to accept the General Manager's Report as presented," seconded by Trustee Fuller.

Vote: Motion carried unanimously.

C. Other**ITEM 8: EXECUTIVE SESSION, (Under MRSA Title 1, Section 405-6D Collective Bargaining Discussions and, if necessary, Under MRSA Title 1, Section 405-6A Personnel Issues Discussions)**

This agenda item was conducted earlier in the meeting, see Item 3. B. Other.

ITEM 9: PUBLIC PARTICIPATION

None

Motion by Trustee Boucher, "to adjourn the meeting," seconded by Trustee Dornish.

Vote: Motion carried unanimously.

Meeting adjourned at 9:11 a.m.